

## Message Text

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PAGE 01 BUDAPE 01164 121414Z  
ACTION EUR-12

INFO OCT-01 ISO-00 EURE-00 ONY-00 /013 W  
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P 121319Z APR 77  
FM AMEMBASSY BUDAPEST  
TO SECSTATE WASHDC PRIORITY 8268

C O N F I D E N T I A L BUDAPEST 1164

FOR EUR ONLY

E.O. 11652: GDS  
TAGS: PFOR, HU  
SUBJECT: SECRETARY HARTMAN'S VISIT TO BUDAPEST

REF: STATE 081127

1. FOLLOWING ARE CROWN AND MFN PORTIONS OF HARTMAN-NAGY  
DISCUSSIONS AS EXCERPTED FROM AIRGRAM FORWARDED TO DEPARTMENT  
(REFTEL).

2. THE CROWN

A) NAGY SAID U.S.-HUNGARIAN RELATIONS WERE NOW ALMOST  
NORMAL. BOTH SIDES ARE WILLING TO DISCUSS ANY MATTER ARISING  
CONCERNING THE TWO COUNTRIES. THE GENERAL ATMOSPHERE IS GOOD.  
MANY QUESTIONS HAVE BEEN SETTLED BETWEEN THE TWO COUNTRIES.  
WE HAVE INDEED COME A LONG WAY. HE NOTED THE EXCHANGE OF  
HIGH-RANKING OFFICIALS BETWEEN THE TWO COUNTRIES AND STRESSED  
THAT HUNGARY WISHES TO CONTINUE TO NORMALIZE RELATIONS.

B) NAGY GAVE A TACTFUL HISTORY OF HUNGARIAN PATIENCE  
WITH RESPECT TO THE CROWN. HE SAID THAT DURING THE  
PAST YEAR THE HUNGARIAN GOVERNMENT, FROM SOME THINGS  
THAT HAD BEEN SAID AND HOW THEY HAD BEEN SAID, LOOKED  
AT U.S. REMARKS AS SOMETHING AKIN TO A PROMISE TO SOON  
RETURN THE CROWN. TO RAISE A WARNING SIGNAL WOULD BE  
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FOOLISH, EVEN NONSENSICAL, BUT STILL, NAGY SAID, TIME  
IN RUNNING OUT. HE HOPED RESOLUTION OF THIS PROBLEM  
WOULD NOT TAKE TOO LONG BECAUSE, GIVEN THE PRESENT  
STATE OF U.S.-HUNGARIAN RELATIONS, PEOPLE IN HIGH  
PLACES MIGHT NOT UNDERSTAND AND MIGHT LOSE THEIR  
PATIENCE.

C) SECRETARY HARTMAN AGREED WITH NAGY'S POSITIVE

ASSESSMENT OF AMERICAN-HUNGARIAN RELATIONS. HE SAID THE NEW ADMINISTRATION HAD NOT YET ADDRESSED SUCH PROBLEMS AS THE CROWN BUT THIS IS UNDERSTANDABLE IN VIEW OF THE MANY PRESSING INTERNATIONAL AND DOMESTIC PROBLEMS IT HAS HAD TO COPE WITH AT THE OUTSET. WITH RESPECT TO THE CROWN, HARTMAN SAID THE GENERALLY IMPROVING RELATIONS BETWEEN HUNGARY AND THE U.S. SHOULD BE HELPFUL. HE ADDED THAT THE U.S. IS AWARE OF THE IMPORTANCE THAT HUNGARY ATTACHES TO THIS ISSUE.

3. MFN

A) EVEN MORE THAN THE QUESTION OF MFN, HUNGARY, ACCORDING TO NAGY, IS WORRED ABOUT THE LONG-TERM RELIABILITY OF THE U.S. AS A TRADING PARTNER. TRADE UNION PRESSURES AND CONGRESSIONAL ACTION CONTINUALLY THREATEN EXISTING TRADE ARRANGEMENTS, SO MUCH SO THAT HUNGARIAN EXPORTERS ARE AFRAID THAT, ONCE THEY ENTER INTO A BUSINESS RELATIONSHIP WITH THE U.S., THE RULES OF THE GAME WILL CHANGE. THIS IS TOO RISKY FOR THE CONSTRUCTIVE DEVELOPMENT OF TRADE RELATIONS. THEN, OF COURSE, THERE IS THE TIME LIMITATION ON ANY COMMERCIAL AGREEMENT BETWEEN THE U.S. AND HUNGARY.

B) WITH RESPECT TO TRADE, SECRETARY HARTMAN SAID IT WOULD BE WORTHWHILE TO TALK TO ONE ANOTHER ABOUT CURRENT PROBLEMS TO SEE WHETHER THERE ARE MEANS TO DEAL WITH THEM. HE CALLED ATTENTION TO THE FREE TRADE PHILOSOPHY OF THE NEW ADMINISTRATION AND REFERRED BRIEFLY TO THE PRESIDENT'S RECENT DECISION ON THE CONFIDENTIAL

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IMPORTATION OF SHOES WHICH SHOULD PERMIT THE CONTINUED DEVELOPMENT OF HUNGARIAN SHOE EXPORTS TO THE U.S. NAGY ASKED SECRETARY HARTMAN WHAT HE MEANT BY HIS PROPOSAL THAT HUNGARY AND THE U.S. DISCUSS ECONOMIC MATTERS. THERE IS A HUNGARIAN PROPOSAL ON THE TABLE, HE SAID. THE U.S. SHOULD WITHDRAW ITS EXCEPTION UNDER ARTICLE 35 OF THE GATT. WHAT DOES THE U.S. WISH TO DO NOW? NAGY CONTENDED FURTHER THAT U.S. LAW DOES NOT FORBID WITHDRAWING THE GATT RESERVATIONS. HARTMAN SAID THAT THE WHOLE QUESTION OF MFN AND GATT WOULD HAVE TO BE LOOKED INTO ON HIS RETURN TO WASHINGTON. MUDD

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